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Federal-State Joint Board on
Universal Service

CC Docket No. 96-45

REPLY COMMENTS OF AT&T CORP.

Pursuant to the Commission's *Notice*,¹ AT&T Corp. ("AT&T") submits these reply comments concerning the use of updated wire center line counts for computing universal service support for non-rural carriers for the year 2002.

ARGUMENT

The comments confirm that the wire center line count data used for computing universal service support for non-rural carriers should be updated to reflect the most recent data available.² Updating wire center line counts will eliminate certain inaccuracies in support calculations caused by the current discrepancy between the vintages of the line count data used for determining support and those used for dispensing support. *See* AT&T at 2-5. In addition, updating wire center line counts will allow the model to reflect the "economies of scale generated

¹ Public Notice, *Common Carrier Bureau Seeks Comment on Updating Line Counts and Other Limited Information Used in Calculating High-Cost Universal Service Support for Non-Rural Carriers for 2002*, CC Docket No. 96-45, DA 01-2107 (September 11, 2001) ("*Notice*").

² *See* Comments of AT&T; Comments of BellSouth Corp. ("BellSouth"), Comments of Verizon Communications Corp. ("Verizon"), Comments of Qwest Communications International, Inc. ("Qwest"); Comments of Florida Public Service Commission ("FPSC"), *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45 (filed October 4, 2001).

by serving an increasing number of lines.”³ Some commenters, however, condition their support for updating wire center line counts upon the Commission also adopting measures that are not directly related to the issues raised in the *Notice*.

BellSouth, Verizon and Qwest support the Commission’s line count update proposal on the condition that the Commission also update customer location and road data used in the universal service cost model. *See* Qwest at 1; BellSouth at 2; Verizon at 1-2. Even if this proceeding were an appropriate forum for addressing issues relating to customer location data, the incumbent LECs’ proposal is an incomplete solution that would produce even greater biases and inaccuracies in the model’s per-line cost estimates than those already present.

In particular, there are at least three concerns relating to the customer location data currently used to calculate universal service support. First, as BellSouth points out, the customer location data is outdated, *possibly* causing a minor downward bias in estimates of carriers’ per-line costs. *See, e.g.*, BellSouth at 2 (“line growth in new areas . . . *could* produce higher costs per line”) (emphasis added). The second concern with currently-used customer location data, however, cuts the other way – because the cost model uses surrogates in place of real geocode information, it greatly overestimates the dispersion in customer locations and, therefore, greatly exaggerates outside plant costs (and, hence, per-line costs).⁴ The third problem

³ Order, *Federal-State Joint Board on Universal Service*, 15 FCC Rcd. 23960, ¶ 9 (2000) (“*2000 Order*”) (“If line count input values remained static, the model’s cost estimates . . . would cause non-rural support to increase indefinitely as reported lines increase.”); *see also* FPSC at 2-3; AT&T at 1-2; 3-5.

⁴ The surrogate data that is currently used in the model incorrectly assumes that customers are located uniformly along roadways. In reality, customers along roadways are *clustered* – a fact that has been demonstrated on several occasions. *See, e.g.*, Comments of AT&T Corp. and MCI WorldCom, Inc., at 3 (July 23, 1999), Reply Comments of AT&T Corp. and MCI WorldCom, Inc., at 10 (August 6, 1999), AT&T’s Petition for Reconsideration at 7-8 (January 3, 2000), (continued. . .)

with the customer location data also inflates per-line costs. Because the Commission's synthesis model improperly treats customers who live at a single physical location, such as an apartment building, as living at separate locations, it further overstates outside plant cost estimates and, again, per-line cost estimates.⁵ The total overstatement caused by the second two defects – the use of surrogates in place of real geocode information and the assumption that separate customers in the same building live at different locations – is almost certainly greater than any understatement caused by using outdated customer location data.

BellSouth, Qwest, and Verizon propose that the Commission update customer location data without also fixing the other problems with the synthesis model's treatment of customer location. However, for the reasons described above, the net effect of this proposal would be to enhance the upward bias in carriers' per-line cost estimates. To avoid this result, all of the problems associated with the customer location data should be addressed and corrected at the same time.⁶ That should not hold up proper resolution of line count data issues, however. The Commission now has the opportunity to timely address the severe disconnect between the line counts used for determining support and those used for dispensing support – problems that all parties admit result in distortion of the amount of support for which local exchange carriers are

Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket Nos. 96-45, 97-160; *see also* Letter from Celia Nogales, Ameritech to Secretary, FCC, July 14, 1999, CC Docket Nos. 96-45, 97-160 (satellite photographs confirming that customers are clustered along roadways).

⁵ Likewise, the model currently estimates the per-line costs of providing telecommunications services to two businesses located in the same building in the same way that it estimates those same costs for two businesses located in two separate buildings.

⁶ The process could be substantially hastened, however, if the incumbent local exchange carriers, who appear to be building customer location databases for their own purposes, were to share this information with the Commission.

eligible. Thus, the wire center line count data used to calculate universal service support for non-rural carriers for the year 2002 should be updated in a manner consistent with the initial comments of AT&T.

In addition to conditioning its support for updated line count data on concurrent updates to customer location data, BellSouth further qualifies its endorsement by stating, “to the extent that the Commission would require such information be provided on a class of service basis, . . . BellSouth would not recommend updating line count information if the commission is unwilling to maintain the confidentiality” of this information. BellSouth at 1-2. However, as the Commission has already explained, the public interest benefits of disclosing line count data at the wire center level for wire centers that receive support outweigh any public or private costs associated with the resulting disclosure of this information.⁷ Accordingly, the updated line count data for incumbent local exchange carriers’ wire centers that receive support, including that information provided on a class of service basis, should be made publicly available. In all events, BellSouth’s concerns could easily be eliminated by implementing an appropriate protective order covering the specific line count data that the Commission deems to be confidential.⁸

Finally, Verizon stands alone in recommending that the Commission stop computing support amounts on a quarterly basis. *See Verizon* at 4. Verizon offers no valid explanation for its proposal of semiannual computations, except to assert the existence of

⁷ *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Order, FCC 00-125, ¶ 14 (released April 7, 2000).

⁸ Indeed, BellSouth has in the past permitted inspection of its wire center line count data pursuant to such a protective order. *See, e.g., BellSouth Telecommunications, Inc.’s Petition for Pricing Flexibility for Special Access and Dedicated Transport Services; BellSouth Telecommunications, Inc.’s Petition for Pricing Flexibility for Switched Access Services*, Protective Order, CCB/CPD File Nos. 00-20 & 00-21, ¶ 3 (released August 31, 2000).

unspecified resources expended on quarterly updates. Given the formulaic nature of calculating support levels, the additional cost of quarterly versus semiannual updates is nominal in comparison to the benefit of realizing more accurate support amounts.

With respect to the Commission's proposal to update General Support Facilities ("GSF") data, Verizon and AT&T agree that "[s]uch updates are appropriate." Verizon at 3; AT&T at 8-9.⁹ Verizon once again, however, conditions its support for that update on the Commission also changing the fundamental method for computing GSF costs in the model, adding new "other parameters," such as "route length and the number of lines served." Verizon at 5. To the extent that it would be appropriate to re-examine certain algorithms in the cost model, this proceeding is not the appropriate place to do so. The algorithms in the cost model should not be changed on an ad hoc basis, but should be made only after careful consideration of all algorithms in the cost model and the interrelations between those algorithms in a separate proceeding. Thus, the Commission should update the ARMIS and line count data, but should not change algorithms of the cost model in this proceeding.

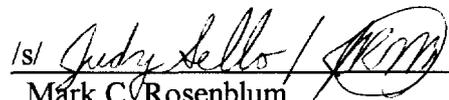
⁹ Given that the Commission is already updating both the ARMIS data and the line count data used in the cost model, it naturally follows that those updated data should be applied to the model's Common Support Services Expense which is based on ARMIS and line count data. See Tenth Report and Order, *Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, FCC 99-304, ¶¶ 372-408 (1999).

CONCLUSION

For the foregoing reasons and the reasons described in the initial comments of AT&T, the Commission should open a proceeding to determine the appropriate method of computing current line counts for use in the Commission's model. Until such a proceeding is concluded, the Commission should use the most recent line count data that are available for the purposes of computing the amount of universal service support to be paid to an eligible carrier. The Commission should not condition the use of updated line count data upon the use of updated customer location data, on the confidential designation of any particular data, or on changing certain algorithms in the cost model.

Respectfully submitted,

David L. Lawson
Christopher T. Shenk
Sidley Austin Brown & Wood
1501 K Street, NW
Washington, DC 20005
(202) 736-8000



Mark C. Rosenblum
Judy Sello
AT&T Corp.
Room 1135L2
295 Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

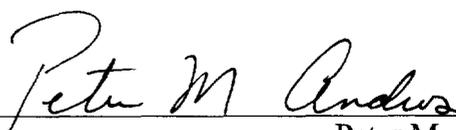
Attorneys for AT&T Corp.

October 10, 2001

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of October, 2001, I caused true and correct copies of the foregoing Reply Comments of AT&T Corp. to be served on all parties by mailing, postage prepaid to their addresses listed on the attached service list.

Dated: October 10, 2001
Washington, D.C.

A handwritten signature in cursive script that reads "Peter M. Andros". The signature is written in black ink and is positioned above a horizontal line.

Peter M. Andros

SERVICE LIST

Magalie R. Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-B204
Washington, D.C. 20554

Sheryl Todd
Accounting Policy Division
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Room 5-A422
Washington, D.C. 20554

Qualex International
Portals II
445 12th Street, SW, Room CY-B402
Washington, D.C. 200554

Joseph DiBella
Verizon
1515 North Court House Road
Arlington, VA 22201-2909

Sharon J. Devine
Craig J. Brown
Qwest Communications International
1020 19th Street, NW, Suite 700
Washington, D.C. 20036

Richard M. Sbaratta
BellSouth Corporation
675 W. Peachtree Street, NE, Suite 4300
Atlanta, GA30375-0001

Cynthia B. Miller
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850